

Entrepreneur's Performance and Financial Literacy – A Critical Review

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ABSTRACT

Financial literacy is a necessity for entrepreneurial advancement. Entrepreneurs are regularly involved in making decisions regarding acquisition, allocation and utilization of financial resources to run their business. Small businesses are a backbone of any developing economy, more so for Indian economy, so when the small business owners lack financial literacy skill, the risk is not just limited to their individual business but the economy as a whole. Hence, the critical questions that need to be answered are: Do owners of micro, small and medium enterprises possess enough level of financial literacy to take sound decisions? Does their level of financial literacy significantly explain their use of financial products and services? Does this impact their business performance vis.a.vis their competitors? This paper aims to explore the answers of the above mentioned questions and to assess the level of financial literacy of entrepreneurs based on previous studies, with the purpose of establishing how financial literacy impacts the performance or success of their business. It also focusses on the need and effectiveness of organising training programmes to enhance their financial literacy skills and to have better business outcomes.

Keywords: Financial literacy; financial education; entrepreneurs; micro, small and medium enterprises, performance.

INTRODUCTION:

Entrepreneurship is very important in economic development of any nation. Therefore, identification of factors affecting entrepreneurial success is an important issue of research among the practitioners and researchers, both in developed and developing economies. One of those necessities for entrepreneurs' success is related knowledge and skills in financial literacy (Rahmandoust and Others, 2011). Various researches around the world in the area of personal financial literacy found that the level of financial knowledge and skills among the masses is quiet low and the genesis of their financial problems is the poverty in financial literacy, particularly deeper for lower income groups. They lack basic understanding of money management, market functions and financial concepts like compound interest, inflation and risk diversification.

The concept of financial literacy and its basic understanding is important for an entrepreneur in his business capacity, just like in his private capacity as a consumer. In consumer's financial literacy, the focus is on individual's ability and confidence in taking personal financial decisions. Whereas, entrepreneur's financial literacy focusses on translating these concepts to business needs, understanding financial statements for decision making and additional knowledge such as type and sources of business finance, tax implications etc. Throughout this paper, the terms 'business owner' and 'entrepreneur' are used interchangeably, to indicate the individual directly involved in taking financial decisions for the business.

A special address by H.M. Queen Máxima of the Netherlands at 3rd OECD/GFLEC Global Policy Research Symposium to Advance Financial Literacy, 2015¹ stated, "By improving the financial literacy of business

¹ <https://www.unsgsa.org/resources/speeches/harnessing-financial-education-spur-entrepreneurship-and-inn/>

owners through financial education, we unlock jobs and growth, two elements so desperately lacking in many of our economies.” The OECD (2015) viewed that properly designed financial education has the potential to encourage innovation and help entrepreneurs to improve their access to and use of financial services, enhance their financial management practices and help scale up their business.

FINANCIAL LITERACY DEFINED IN ENTREPRENEURIAL CONTEXT:

In literature, different researchers have defined the financial literacy of entrepreneurs in various ways. The United States Agency for International Development (USAID), 2009 defines financial literacy in the context of entrepreneurs of small and medium enterprises as- A financially literate SME owner/manager is someone who knows what are the most suitable financing and financial management options for his/her business at the various growth stages of his/her business; knows where to obtain the most suitable products and services; and interacts with confidence with the suppliers of these products and services. He/she is familiar with the legal and regulatory framework and his/her rights and recourse options.

The working group on Access to Finance for Agribusiness, December 2015 defined SME financial literacy as a combination of knowledge, skills and practice of financial products, concepts, risks and regulatory and legal matters to take the most appropriate finance-related decisions at every stage of SME life-cycle to ensure further business development, growth and profit generation of the firm. A small business owner must be able to evaluate the information needed to make decisions that have financial ramifications or consequences on the business (Fernandes, 2015).

In literature, a large number of researchers put special emphasis on creation, understanding and utilization of financial statements as an important component of entrepreneur’s financial literacy. Dahmen & Rodríguez (2014) stated that financial literacy is the ability of an entrepreneur to understand and use business financial statements to generate key financial ratios to evaluate and manage a business. On similar lines, Brown and Others (2006) cited that financial literacy for small business owners must contemplate the ability to read and understand fundamental financial statements, as well as, the ability with numbers, in order to make informed judgments and to make effective decisions regarding the use and management of money.

In recognition of the contribution of MSMEs to national economies, the OECD/INFE Advisory Board and its Technical Committee created a dedicated Expert Subgroup on Financial Education for MSMEs in 2015. The OECD (2017) stated that financial education for entrepreneurs refers to the process by which they

- recognise the interaction between personal and business finance;
- know where to go for help;
- improve their understanding of the financial landscape, products and concepts of relevance; and
- through information, instruction and/or objective advice, develop the skills, knowledge, attitudes and confidence to become more aware of financial opportunities and financial risks;
- make informed business plans and related choices;
- manage their financial records, planning and risks effectively over the short and long term; and
- take other effective actions to maximise the potential of their business for the benefit of their enterprise and that of the wider economy.

The above discussion would further support the development of financial education framework to improve the financial skills of entrepreneurs and consequently their business performance.

RESEARCH OBJECTIVE:

The paper aims to enhance the understanding of the essence of financial literacy for entrepreneurship development and its sustainability, and thus help the policy makers to actively fill this missing gap and ultimately achieve economic development.

RESEARCH METHODOLOGY:

The study employed a discussion based approach where the previous work on financial literacy of entrepreneurs, their behaviour in terms of financial planning, accounting and debt management, access to financial resources and the business results, were thoroughly analysed and critically evaluated.

REVIEW OF LITERATURE:

A literature review is the systematic and comprehensive review of the published and unpublished work in the area of interest of the researcher. The literature reviewed in the context of financial literacy of entrepreneurs recognised the growing need for business owners to have basic levels of financial literacy, to identify the potential consequences of their financial decisions on their business. For this purpose, thirty one reviewed studies have been presented as (1) Review of International Studies; (2) Review of Indian Studies.

Review of International Studies:

This section presents a review of 26 studies conducted around the world, on financial literacy of entrepreneurs. There is a wide variation in the factors considered for measurement of their financial literacy level and its impact. Some studies focussed upon providing training in business finance and also recorded its outcome. The reviewed studies are further categorised as:

- (a) Studies assessing the level of financial literacy of entrepreneurs.
- (b) Studies assessing the level of financial literacy of entrepreneurs and analysing its impact on business performance.
- (c) Studies assessing the impact of financial literacy training to entrepreneurs on their business performance.
- (d) Studies assessing the level of financial literacy of entrepreneurs and its impact on business performance, considering some mediating and moderating variables.

Review of literature assessing the level of financial literacy of entrepreneurs:

A number of studies reviewed focussed on assessing the level of financial literacy of entrepreneurs. But each study had its own unique way of measuring it. None of the studies has a measurement exercise designed to comprehensively measure the financial literacy of entrepreneurs. The reviewed studies are summarized in Table 1.

Table 1

S. No	Name of Author	Main Objective of Study	Variables of Financial Literacy	Sample size	Results
1.	Oesifuah (2010)	To investigate the level of financial literacy and its determinants for youth entrepreneurs in South Africa	Financial knowledge, financial attitude, financial behaviour, mathematical and computer literacy	39	- Above average financial literacy - Good knowledge of interest rates, VAT , insolvency - Very less knowledge about stock exchange
2.	Barte (2012)	To evaluate the financial skills and capitalization sources of fish vendors in CebuCity, Philippines and the relationship between their income and financial skills	Record keeping, analysis of profit and loss, cash management, access to loans	123	- Low level of financial skills - Confined to high interest, informal loans, adversely impacting their income and growth
3.	Sucuahi (2013)	To assess the determinants of financial literacy of micro entrepreneurs in Davao city	Record keeping, savings, financing and budgeting skills	100	- Low financial literacy - Education (not gender) significantly influenced financial literacy of entrepreneurs.
4	Dahmen and Rodriguez (2014)	To examine the financial literacy skills of small business entrepreneurs in Florida	Understanding of primary financial statements and use of financial ratios for managing the business	14	- Insufficient cash flow and excessive debt (faced by more than half of the businesses) - Direct connection between financial illiteracy and financial difficulties

S. No	Name of Author	Main Objective of Study	Variables of Financial Literacy	Sample size	Results
5.	Fatoki, (2014)	To investigate the level of financial literacy of new micro-entrepreneurs in South Africa	Financial planning, analysis and control, book-keeping, understanding of funding sources, business terminology, finance and information skills, use of technology and risk-management skills	76	<ul style="list-style-type: none"> - Low level of financial literacy - Working knowledge of bank finance - Low understanding of equity finance - Deficient understanding of current interest, tax and exchange rates
6.	Samkin, Pitu and Low (2014)	To identify the financial literacy skills necessary to run a small New Zealand business	Pricing, receiving income, dealing with debtors, managing payments, taxation and recording, using accounting software	18	<ul style="list-style-type: none"> - Study of Accounting, English and Maths at secondary school was important in learning the financial side of business
7.	OECD (2015)	To measure SME financial literacy in the agribusiness sector of Ukraine	Basic management competencies, knowledge and effective use of financial services and products, different types of funding, basic accounting principles, formal recordkeeping, Separation of personal and firm assets and liabilities, risk management	11,004	<ul style="list-style-type: none"> - Satisfactory levels of general financial knowledge - Smallest and youngest SMEs had low levels of financial literacy - Lack of trust in the formal financial sector - Supply and demand side challenges for accessing finance

Discussion:

The major observation relates to the constructs considered for assessing the level of financial literacy of entrepreneurs. The common constructs used by most of the studies were keeping business records, managing debts and financing options. A few studies also cited cash management, computer literacy, budgeting skills and risk management skills in addition to the aforesaid variables. Different measuring instrument has been used by the researchers for the same research objective. The development of one unique measuring instrument can provide more robust and comparable results. The OECD/INFE work-stream on MSMEs seeks to develop a questionnaire that could be used internationally to capture financial literacy across MSMEs (OECD, 2015).

Review of literature assessing the level of financial literacy of entrepreneurs and its impact on business performance:

Existing empirical evidence suggests a direct causal link between improved levels of financial literacy and entrepreneurial performance. This section contains a review of studies correlating financial literacy (or its measures) with the various dimensions of business performance of entrepreneurs. Important measures of financial literacy included accounting or book-keeping practices, cash management practices, knowledge of funding options etc. whereas dimensions of entrepreneurial performance indicated were profitability, sales growth, timely loan repayment, risk management, utilization of financial services etc. The reviewed studies are summarized in Table 2.

Table 2

S. No.	Name of Author	Main Objective of Study	Variables of Financial Literacy	Measures of business performance	Sam ple size	Results
1.	Nunoo and Andoh (2011)	To measure the level of financial literacy of SMEs and its correlates and to estimate the relationship between financial literacy and utilization of financial services by SMEs in Ghana	Financial knowledge, financial skills and financial confidence (knowledge of interest rates, inflation, savings and insurance)	Utilization of financial services	556	<ul style="list-style-type: none"> - More financially literate owners were more likely to use the financial services. - Gender, secondary or technical level education and financial education received were statistically significant in explaining financial literacy.
2.	Njoroge (2012)	To assess the relationship between financial literacy and entrepreneurial success of SMEs in Kenya	Knowledge of interest rates, inflation, time value of money, money illusion, understanding risk, diversification and financial markets	No. of years in business, no. of permanent employees, rate of revenue growth	79	<ul style="list-style-type: none"> - Strong positive relation between financial literacy and success of SMEs.
3.	Attom, (n.d.)	To explore cash management practices and cash controls used by micro and small-scale enterprises	Cash Management	Business growth (Variables not specified)	305	<ul style="list-style-type: none"> - Financial impropriety and misapplication of cash resources (due to lack of cash budgets) was slowing down the growth of businesses
4.	Ibrahim and Musah (2014)	To observe the relationship between record keeping and business performance of SMEs in Ghana.	Record keeping	Profitability, sales growth, capital injection and increases in employee base	100	<ul style="list-style-type: none"> - Only maintaining proper records does not improve business performance. - Other factors such as improved customer relations, access to finance, technology diffusion, and access to internal and international markets need to be pursued simultaneously - When owners of SMEs experience a rise in performance, they begin to maintain records to keep track of their daily activities
5.	Zivanai, Onias,	To explore the causal	Record-Keeping	Risk Management	56	<ul style="list-style-type: none"> - Strong positive relationship between

S. No.	Name of Author	Main Objective of Study	Variables of Financial Literacy	Measures of business performance	Sample size	Results
	Lloyd, Felix and Chalton (2014)	relationship between record keeping and management of risks by SMEs from six economic sectors in Bindura.				accounting information maintained and risk management practiced by SMEs
6.	Fernandes, (2015)	To assess the financial literacy levels of small businesses owners and its correlation with firms' operating performance	Financial knowledge, financial behaviour and financial attitude, business plan, cash flow forecast, profitability analysis and bank loans	Return on assets (ROA)	103	- Positive relation between financial literacy of small owners and their business performance -Gender, education (especially economics), size of business, responsibility of finance area of business significantly impacted the financial literacy
7.	Mwithiga, (2016)	To assess the relationship between financial literacy and enterprise performance among owner managed ICT SMEs in Nairobi County	Accounting equation, insurance, accrual concept, income concept and cash management	Profitability (net profit) and liquidity (cash position over a five year period)	201	- High level of financial literacy correlated to higher profitability and better working capital management.
8.	Lentz , Smetsers, Vergeer and Grotenhuis (2016)	To provide an understanding of how SME business owners managed their finances, their financial know-how and skills, and the extent to which they used financial figures to control their businesses in Netherlands	Knowledge of financial matters, organising financial matters, and managing and steering the company based on figures.	Turnover, sales trend and gross margin	1676	- Strong correlation between the entrepreneurs' financial expertise and the performance but a direct causal link could not be established. - Lack of tax knowledge - Usage of own personal funds to meet the shortfalls - Payment arrears in previous years.

Discussion:

The literature suggests that record-keeping or accounting is a very important element of financial literacy in the context of business owners. Better financial analysis and reporting capabilities will improve the ways in which MSME entrepreneurs describe their financial profile to their creditors during the loan application process, improving their chances of success (Atkinson, 2017). Financial illiteracy can hinder a firm to adequately assess and understand different financing options, and from navigating complex loan application procedures that might be attributable to poor financial performance of the firm (GoK, 2005). From a broader perspective,

entrepreneurial activities are compromised when entrepreneurs do not possess the skills required to manage their finances effectively (Adomako and Danso, 2014).

Review of literature assessing the impact of financial literacy training to entrepreneurs on their business performance:

Many nations of the world have taken numerous initiatives in terms of training programs to improve the financial skills of entrepreneurs. So, another dimension is providing training on financial literacy concepts to entrepreneurs and recording its effectiveness. The literature provides a lot of evidence to this fact where training in financial literacy concepts enhanced financial results, improved survival rate or reduced loan default rates of the small businesses. However, there is no consensus on the training designs i.e. the content of training and the way it should be administered. Further, the relative efficiency of training depends upon the literacy level, gender, age, needs, learning orientation etc. of trainees. The reviewed studies are summarized in Table 3.

Table 3

S.No.	Name of Author	Main Objective of Study	Nature of Training	Outcome
1.	Klein, Evans, Perry and Todd (2005)	To examine the outcomes of a microenterprise loan program to small business owners by Rural Economic Development Centre in North Carolina	Two Models- Individual-lending model- a loan application without any training Group-lending model- A loan application after training in financial literacy and credit worthiness.	-Less loan default in the group- lending model in comparison to individual borrowers
2.	Brown, Saunders and Beresford (2006)	To examine the financial literacy of 147 new SMEs in UK, over the first year of their business	-Training in basics of business finance -Responses collected at the beginning, after six months and after one year of the training	-Reduced assistance of accountants and financial advisors -Better understanding of financial position of the business and making informed decisions
3.	Bruhn and Zia (2011)	To study the impact of a comprehensive business and financial literacy program on firm outcomes of young entrepreneurs in Bosnia and Herzegovina	Business and financial education training including business planning, tax system, marketing, understanding and managing firm's finances, and diversification	-Improved the basic financial knowledge -Did not impact the survival of the existing businesses or start-ups -Business practices & investments improved significantly -Significant improvements in sales and profits - Increased the propensity to refinance their existing loans and better terms for new loans
4.	Drexler, Fischer, and Schoar (2011)	To observe how the differences in the structure and complexity of two financial literacy training programs impacted the performance of small business owners in Dominican Republic	Two financial literacy training programs: Standard accounting program teaching basic double entry system, working capital management, separating business	-Second training produced significant improvement in revenues, financial practices and reporting quality, whereas the former did not produce any significant changes. -The type of training should

S.No.	Name of Author	Main Objective of Study	Nature of Training	Outcome
			and personal accounts and investment decisions Simple rule of thumb training focused on routine financial decision making rather than comprehensive accounting knowledge	match the characteristics of client in order to be successful
5.	Wise (2013)	To investigate the quantitative relationship between financial literacy of young entrepreneurs, loan repayment and new venture failure	Formalized institutional micro credit program	An increase in the entrepreneur's knowledge of financial statements and financial ratios lead to an increase in the frequency of generation of financial statements which in turn lead to more loans being paid back and less involuntary venture shutdowns
6.	Salome and Memba (2014)	To evaluate the impact of financial literacy training on the financial performance of soapstone businesses in Kenya	Financial literacy training in areas of financial management, venture financing and financial decision making	-Improvement in the investment decisions, budgeting, cash flow management, record keeping and debt management skills, and access to cheap finance with favourable repayment terms -A positive influence on the financial performance indicated by profits, return on assets and liquidity
7.	Mutegi, Njeru and Ongesa (2015)	To establish the effects of financial literacy training program on loan repayment by SMEs	Financial literacy training in book-keeping, budgeting, credit management and financial analysis skills	-Positive relationship between financial literacy and loan repayment, with credit management skills having a leading effect on debt repayment
8.	Muraga and John (2015)	To study the effects of financial literacy on performance of youth-led enterprises	-Financial literacy training in budgeting, debt management, banking services and record keeping -Performance variables like growth in market size, profitability, accumulated assets, number of employees and compliance to government regulation.	-Positive correlation between performance and financial literacy -Performance was affected most by debt management literacy and least by record keeping literacy

Discussion:

The literature supported that training could help MSME entrepreneur in understanding the financing needs at different stages of life-cycle of business, the instruments available, the benefits and risks involved, thus developing business plans as per the requirement. An important observation was that the training would be more effective when the information meets an immediate need of the user (Drexler et al., 2014). The need acts as a strong motivator and the individuals are most receptive to learning at that time (referred to as “Teachable Moments” in literature). Further, less complex training programs proved to be more effective, especially for less sophisticated clients. Thus, a learner-centred model of training based on the needs, strengths, motivation and weaknesses of the learners can enhance the outcomes for small and new entrepreneurs.

Review of literature assessing the level of financial literacy of entrepreneurs and its impact on business performance, considering some mediating and moderating variables:

A number of studies provided that the financial literacy-firm performance relationship of entrepreneurial firms is mediated and moderated by certain variables. A moderator variable is one that influences the strength of a relationship between two other variables, and a mediator variable is one that explains the relationship between the two other variables. The reviewed studies are summarized in Table 4.

Table 4

S. No	Name of Author	Main Objective of Study	Mediator Variable	Moderator Variable	Financial Literacy Variables	Performance Variables	Outcome
1.	Sabana, (2014)	To ascertain if microenterprise performance is contingent on the interactions between financial literacy, financial access and transaction costs, in Kenya	Financial access (utilization of loans, savings, transaction accounts, insurance, investment products and obtaining services from formal or informal financial service providers)	Transaction cost (non-interest costs of loans, including opportunity costs, cost of maintaining savings accounts, ledger fees on transaction accounts and cost of insurance)	Financial Management, Debt Literacy, Savings Literacy, Investment Literacy and Insurance literacy	Financial (percentage growth in sales, profits, employment and market share) and non-financial (entrepreneurial satisfaction) indicators	-Significant positive relationship between entrepreneur financial literacy and performance -Financial access and transaction costs had significant intervening and moderating influence, respectively, on the above relationship -The joint effect of financial literacy, financial access and transaction costs on performance was significantly greater than the individual influence of each variable
2.	Adomako and Danso (2014)	To evaluate the impact of financial literacy on the performance of 298 entrepreneurs in Ghana, with the moderating role of	-----	Financial capital availability and resource flexibility	Understanding of primary financial statements and use of financial ratios for managing the business	Return on assets (ROA)-the ratio of earnings before interest and tax to total assets	-Financial literacy and performance had positive association after controlling for factors-firm size and age, entrepreneur’s experience, industry and environmental influences -Financial literacy improved firms’ performance, particularly when they had easy

S. No	Name of Author	Main Objective of Study	Mediator Variable	Moderator Variable	Financial Literacy Variables	Performance Variables	Outcome
		financial capital availability and resource flexibility					access to finance and resources were flexible
3.	Sulaiman(2016)	To assess the impact of financial knowledge and capabilities on SME firm performance in Australia	Learning orientation (commitment to learning, shared vision and open mindedness)and the Chief Financial Officer’s experience	-----	Here, referred as “financial resources ” (education, financial knowledge, financial attitudes and financial Awareness)	Financial performance (cost of sales, profitability and return on investment relative to major rivals), Strategic performance (market share, competitiveness, strategic position and leadership position relative to major rivals)	-Education level (CFO having an MBA degrees) and the firm learning orientation were most significant drivers of performance -Financial resources and CFO experience did not significantly influence firm performance -Interaction variables did not improve the relationships of financial resources and performance -Financial resource had direct impact on performance, when considered in isolation

Discussion:

Extensive research on the topic revealed that there were just three studies where the association of financial literacy of entrepreneurs with their business performance was mediated and moderated by certain variables. Thus, it can be an interesting area of future research.

Review of Indian Studies:

The OECD expert working group to focus on financial education for owners of MSMEs and potential entrepreneurs circulated a stocktake questionnaire in September 2015, to collect the information about existing practices relating to financial education for MSMEs and potential entrepreneurs in Asia (Bangladesh; China; Hong Kong, China; India; Indonesia; Japan; Malaysia and Singapore) and especially Indonesia. The main findings of this report in Indian context are summarized below (OECD, 2017):

1. In most of the Asian countries including India, challenges currently faced by MSMEs included business landscape restrictions like regulatory hurdles and tax burdens, difficulties accessing finance and a lack of general guidance or support, in early to growth stages of the business.
2. Lack of general entrepreneurship skills and business specific skills is a challenge for potential entrepreneurs, whereas growing enterprises face challenges like lack of financial literacy, financial exclusion and a lack of awareness of financing options.
3. India does not currently measure financial literacy levels of MSMEs and potential entrepreneurs nor does the National Strategy address the financial education needs of this group directly. Banks hold financial

literacy camps for a broad audience, within which MSME entrepreneurs are included, on personal finance topics such as borrowing, saving and budgeting.

4. Financial education and entrepreneurship education is available in school or university at some level. Beyond that, leaflets, printed materials and digital delivery of financial education are the most common delivery mechanism.

Since India lacks a focus on the financial literacy needs of MSME entrepreneurs, not much research has been taken up in this context. An exhaustive search of literature revealed that a very few studies have dwelt on the importance of financial literacy for entrepreneurial success. These studies have been summarized in Table 5.

Table 5

S. No.	Name of Author	Main Objective of the study	Sample size	Variables of Financial Literacy	Outcomes
1.	Bijli (2012)	To examine the financial practices of women SHG members in Grameen Koota in Karnataka	Not given	Savings, cash flow management, account keeping and capital formation	<ul style="list-style-type: none"> - Lack of financial planning skills, very less or no savings, lack of record keeping, lack of knowledge of interest on savings and use of loans for personal consumption like illness or wedding, which lead to spiralling debt - Micro-finance alone was not sufficient for poverty alleviation. It also required good money management practices and knowledge of credit usage
2.	Gaurav and Singh (2012)	To analyse the effect of farmers' education on cognitive ability and financial literacy and the relationship between cognitive ability and financial literacy	200	Financial aptitude and debt literacy	<ul style="list-style-type: none"> - Positive correlation between mathematical understanding and financial literacy - Farmers' education and financial experience significantly correlated with cognitive ability which in turn predicted the financial literacy - Positive relationship found between landholding and financial literacy - Financial education among farmers could increase their likelihood of getting rainfall insurance by 5.3 percentage points
3.	Rao (2013)	To explore the relationship between adoption of proper accounting practices and the profitability of MSMEs in Visakhapatnam, Andhra Pradesh	192	Accounting	<ul style="list-style-type: none"> - An increasing trend in the profits of MSMEs who adopted proper accounting system - Reinvestments of profits in the same business lead to profitability of the business
4.	Emily Levi-D'Ancona (2014)	To observe the effects of financial literacy on the success of women entrepreneurship using micro finance and SHGs in rural Udaipur, Rajasthan.	2500	Concept of financial services and practices and skills necessary to start an enterprise	<ul style="list-style-type: none"> - A positive correlation between attending microenterprise development training and financial inclusion - Increased the likelihood of women taking loans - Concluded that understanding of finances is critical for utilization of financial services and lack of financial literacy causes financial exclusion

S. No.	Name of Author	Main Objective of the study	Sample size	Variables of Financial Literacy	Outcomes
5.	Gupta & Kaur (2014)	To assess the financial literacy of micro-entrepreneurs of Kangra district in Himachal Pradesh	100	Record keeping, awareness of financial institutions, savings, investments and loan policies	-Low financial literacy among entrepreneurs, evident from deficient record keeping practices, poor cash management, inadequate savings and limited awareness about financial products and institutions
6.	Barua and Sane (2014)	To evaluate the impact of a financial education program on loan repayment performance of female customers of an urban MFI in Mumbai	10917	Not given	- Financial literacy led to a reduction in the number of days taken to make loan repayments - Respondents started thinking about their financial decisions in terms of interest rates and time value of money, thus improving their financial well-being - It also reduced the number of months in which the loan repayment was delayed

Discussion:

Under micro finance programmes undertaken by the government, the SHGs act as a potential source to income generation and asset creation. But many studies across India reveal the problems of SHGs like bad debts, loan defaults, high over dues and low profitability, mainly due to lack of knowledge in handling of finances. A large part of public support schemes for MSMEs and potential entrepreneurs is focused on the provision of financing in preferential terms. But these schemes do not always enjoy high take-up due to lack of awareness among micro-enterprises about the existence of such schemes. There is a need to identify MSMEs as a target group in the national strategy for financial education and to measure their levels of financial literacy, to help policy makers create dedicated research and tools for this group.

CONCLUSION:

Financial Education has a major role to play in encouraging sustainable entrepreneurship and reducing the demand side-barriers to access to finance. A targeted measure of financial literacy will provide up-to-date information about the level of financial knowledge and skills of entrepreneurs, to help policy makers develop and monitor overall strategies to support MSMEs. Adele Atkinson (2017)(p.7) cited that, “Evaluation has not been a priority for stakeholders providing financial education to MSMEs, meaning that it is currently impossible to draw firm conclusions about the efficacy of current policies or programmes. More work is needed to create specific tools to measure the financial literacy of entrepreneurs, and to evaluate initiatives designed to improve levels of financial literacy among this group.” The OECD/INFE will develop a specific measurement tool for this purpose, based on ongoing work of building core competencies framework for MSMEs.

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